

Before the  
POSTAL REGULATORY COMMISSION  
Washington, DC 20268-0001

Large-Size First-Class Mail :  
Presort Postcard : Docket No. MC2021-104

JOINT COMMENTS OF THE ENVELOPE MANUFACTURERS ASSOCIATION  
AND THE GREETING CARD ASSOCIATION

The Envelope Manufacturers Association (EMA) and the Greeting Card Association (GCA) file these comments pursuant to Order No. 5926.

Section 3040.211(b) of the Commission's Rules of Practice invites interested parties to file comments concerning the compatibility of a proposed Mail Classification Schedule (MCS) change with the requirements of 39 U.S.C. sec. 3622. The undersigned joint commenters believe that the proposal<sup>1</sup> to increase the maximum permissible size of the First-Class Presort postcard presents several issues under sec. 3622, with which the *Notice* fails to deal, and that, accordingly, it should not be approved. Instead, the Commission should take appropriate action as contemplated by sec. 3040.211(d) of the Rules of Practice.

We can summarize the issues as follows:

- Not only Presort Postcard mailers but also Presort Letter mailers may use the proposed large-size card to gain large postage savings – at the expense of

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<sup>1</sup> *Notice of the United States Postal Service of Update to the Maximum Size Limit for Presorted First-Class Mail Postcards* ("Notice"). The proposal as filed is not paginated; in citations we have supplied pagination in [brackets].

Postal Service financial stability. *The proposal ignores this possibility of financial harm.*

- The proposal unfairly excludes Single-Piece Postcard mailers – including especially small businesses – and shows that *consumers and small commercial mailers were not consulted in developing the plan.*
- Single-Piece Postcards contribute little – or even negatively – to institutional costs; *the Postal Service should use its pricing flexibility to bring this product into line with the highly-profitable First-Class Mail category as a whole as well as making any improvements in the postcard available to Single-Piece users.*

#### Detailed discussion of the issues

*The proposal ignores the probability of substantial negative effects on Postal Service revenue.* The Postal Service has recently issued an elaborate ten-year plan aimed at restoring its financial stability. It is taking full advantage of the additional rate authorities enacted in Docket RM2017-3 and currently under judicial review. In view of these concerns, the proposal to allow a six by nine inch postcard in First Class Presort represents a threat to adequate Postal Service revenues and is therefore highly problematic under 39 U.S.C. sec. 3622(b)(5) (adequate revenue).

First, consider only the postcards themselves. *Today, mailers can and do send oversized postcards at the letter rate.* It seems evident that some mailers currently sending large-format postcards at Letter rates will be able to switch to the proposed 6x9 piece without sacrificing content.<sup>2</sup> That is, a 5-Digit Presort Postcard mailer, by switching to a 6x9 card, would pay not \$0.426 per piece, but \$0.306. This mailer would save

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<sup>2</sup> One side of a letter-size postcard measures 70.4375 sq. in. A current postcard contains 25.5 sq. in. The expanded postcard would measure 54.0 sq.in. For a postage saving of \$0.12, therefore, the mailer would give up only  $70.4375 - 54.0 = 16.4375$  sq. in. of messaging space, or only about 23.3 percent of the space it can use with a letter-rate postcard.

\$6,000 on a 50,000-piece mailing. But that is also \$6,000 of revenue the Postal Service will give up, at a time when it is striving to improve its finances. The potential for this format-switching is very real; joint commenters would suggest that mailpiece designers are fully capable of adapting a 6x9 inch postcard to carry the same content now spread over a letter-size piece.

It might be argued that because Presort Postcards is a not among the largest products (about two billion pieces in FY 2020), the potential loss of revenue might not be great. But to argue thus would be to ignore the disquieting possibility that Presort *Letter* mailers will also switch to large-format cards, and research has shown that they plan to do so. And here the potential revenue loss would be much greater: e.g., if a hundred million pieces of letter mail converted to large postcards, the Service would lose \$12,000,000.

This fact should cause the Commission – and should have caused the Postal Service – serious concern. For here we face potential product-switching and revenue loss at the expense of a category which numbered more than 34 billion pieces<sup>3</sup> and yielded almost \$13.5 billion in revenue (more revenue than any other market-dominant product). The Postal Service's *Notice* in this case gives no indication that it seriously considered this potential revenue loss.<sup>4</sup> The same calculation of per-piece saving – which means per-piece revenue loss – that we gave for the Presort Postcard mailer, above, also applies to Presort letter mail, but with a much wider possible span of impact. The Postal Service speaks of providing another option for mailers<sup>5</sup>, but seems not to have considered the other options which its proposed large-size postcard would throw open – or the substantial dollar consequences to itself.

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<sup>3</sup> Of which the 100-million-piece example above is less than 3/10 of one percent.

<sup>4</sup> All these volume and revenue figures come from the FY 2020 *Public Cost and Revenue Analysis*. The Postal Service states at p. [4] of the *Notice* that it is not calculating a price cap effect from First-Class Mail that may migrate into cards and thereby see a rate decrease. It does not include any estimate of how that rate decrease might affect its own finances.

<sup>5</sup> *Notice*, p. [2]. The discussion there seems to focus only on mailers now using small-size postcards – a focus we suggest was much too restricted.

*Restriction of the change to Presort mail.* The Postal Service's explanation of why it proposes to increase card size only for Presort users<sup>6</sup> boils down to a statement that commercial mailers (seemingly identified with Presort users – which is a separate problem, discussed next) were consulted, that they indicated how they could benefit from the change, and that *therefore* Single-Piece users would not benefit from it. Clearly, if one does not consult a customer group, one will not be told how its members would benefit from a potential product change. There is no suggestion that consumers or small businesses were the objects of Postal Service outreach. Justification for the restricted scope of the proposal is therefore completely lacking, and insofar as it may rest on what customers told the Postal Service, was apparently not even attempted.

We noted just above that the *Notice* seemingly treats “commercial mailers” as synonymous with Presort mailers. There is no indication that smaller businesses might not also want to send the types of content which the Postal Service expects Presort customers to want to send. A business with a customer list of 295 names could never send this list a Presort mailing; it is too small to qualify. Such a business necessarily uses Single-Piece mail. Yet it might benefit from a larger-format card in just the same way as a customer with a mailing list of 1,000 names.

To restrict the expanded card size to Presort mailers, therefore, raises fairness issues under 39 U.S.C. sec. 3622(b)(8) – which, it should be noted, specifies a just and reasonable schedule of “rates *and classifications*.”

*Financial stability and cost coverage.* The joint commenters believe that, as just explained, if postcard size were indeed to be expanded, the larger card must be available for Single-Piece as well as Presort mailers. We recognize, of course, that this necessary change in the proposal would also entail attention to prices; and this is true, first,

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<sup>6</sup> *Id.*, p. [3].

for Single-Piece Postcards<sup>7</sup>. In FY 2020, this category failed, by a small margin, to cover attributable costs. As FY 2021 figures are not fully available, it is not clear the \$0.40 rate proposed in Docket R2021-2 would go very far to remedy this situation. If the Postal Service is determined to allow a 6x9 postcard, it should both offer it to Single-Piece as well as Presort users and take steps to make the Single-Piece postcard price not only compensatory but more in line with the overall contribution level of First-Class Mail, which in FY 2020 was 198 percent.

### Conclusion

The Commission, for the reasons we have discussed above, should not approve the proposed MCS change. Rule 3040.211(d) gives the Commission wide latitude in acting on a size change proposal which fails, as this one does, to conform to 39 U.S.C. sec. 3622. The proposed change should be rejected. The deficiencies identified above may or may not be remediable in a subsequent, reworked proposal, which the Commission could require under its above-cited Rule.

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Respectfully submitted,

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<sup>7</sup> In FY 2020, Presort Postcards had a cost coverage of about 267 percent.